

Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 TRSE-00 EB-07 FEA-01 CIAE-00
DODE-00 NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00
AGR-05 CEA-01 COME-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSC-05 PA-01 EPG-02 AID-05 SS-15
STR-04 ITC-01 PRS-01 SP-02 OMB-01 /085 R

DRAFTED BY ARA/ECP:WDBURSON:LM
APPROVED BY ARA:WHLUERS
TREASURY:RSELF
ARA/ECA:DVANTREECK
EB/OT/STA:JSSPIRO
ARA/AND:DCOX
ARA:SHROGERS

-----030125Z 046094 /64

O 022330Z JUN 77
FM SECSTATE WASHDC
TO AMEMBASSY MONTEVIDEO IMMEDIATE
AMEMBASSY BOGOTA IMMEDIATE
AMEMBASSY QUITO IMMEDIATE
AMEMBASSY LIMA IMMEDIATE

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FOR ASSISTANT SECRETARY TODMAN FROM LUERS

E.O. 11652: N/A

TAGS: ETRD, UY, CO, EC

SUBJECT: COUNTERVAILING DUTY INVESTIGATIONS--LEATHER
HANDBAGS FROM COLOMBIA AND URUGUAY

1. AT OUR REQUEST TREASURY HAS POSTPONED UNTIL
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JUNE 21 OFFICIAL PUBLICATION OF A COUNTERVAILING
DUTY (CVD) INVESTIGATION ON IMPORTS OF LEATHER
HANDBAGS (TSUS 706.0820) FROM COLOMBIA AND URUGUAY.
PUBLICATION OF THE NOTICE IN THE FEDERAL REGISTER
WAS ORIGINALLY SCHEDULED FOR MAY 31, BUT WE FELT
THE POSSIBLE ADVERSE PUBLIC REACTION COULD DETRACT
FROM MRS. CARTER'S VISIT. THE COLOMBIAN AND

URUGUAYAN EMBASSIES ARE AWARE OF THE INVESTIGATIONS AND IT MAY EVEN BE IN THE PRESS BY THE TIME OF YOUR ARRIVAL IN BOGOTA. WE SUGGEST THAT YOU TAKE THE OPPORTUNITY DURING YOUR STOP THERE TO BRIEF THE GOC ON THE NATURE AND STATUS OF THE INVESTIGATION.

2. TREASURY RECEIVED A PETITION APRIL 22 ALLEGING PAYMENT OF A BOUNTY OR GRANT (SUBSIDY) ON HANDBAGS EXPORTED TO THE U.S. FROM COLOMBIA AND URUGUAY.

WE UNDERSTAND COMPLAINT REGARDING COLOMBIA CONCERNS PRIMARILY A GOC TAX CREDIT (CAT) OF 8 PERCENT DESIGNED TO STIMULATE NON-TRADITIONAL EXPORTS PLUS OTHER LESS SIGNIFICANT ALLEGATIONS. THE U.S. LAW REQUIRES ONLY THAT THE EXISTENCE OF A SUBSIDY BE ESTABLISHED IN ORDER TO REQUIRE IMPOSITION OF COUNTERVAILING DUTY EQUIVALENT TO THE AMOUNT OF THE SUBSIDY. IN THIS CASE NO INJURY NEED BE ESTABLISHED; THIS IS NOT A DUTY FREE ITEM. A PRELIMINARY DETERMINATION IS REQUIRED BY OCTOBER 22 AND A FINAL DETERMINATION BY APRIL 22, 1978. IMPORTS FROM COLOMBIA IN 1976 WERE 5.6 MILLION DOLLARS AND FROM URUGUAY 3.3 MILLION DOLLARS.

3. COLOMBIA MAY REACT STRONGLY TO THE INVESTIGATION. THE ONLY RECENT COUNTERVAILING DUTY CASE INVOLVING COLOMBIA WAS WITH RESPECT TO EXPORT TAX REBATE ON CUT FLOWERS IN 1974. APPLICATION OF CVD WAS EVENTUALLY AVOIDED THROUGH ELIMINATION OF REBATE. COLOMBIAN LIMITED OFFICIAL USE

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REACTION WAS, HOWEVER, HIGHLY ADVERSE. IN ADDITION TO EXPRESSIONS OF GRAVE CONCERN OVER PRESENT HANDBAG INVESTIGATION, GOC IS LIKELY TO RECALL BOTH PREVIOUS CVD CASE AND PRESENT ESCAPE CLAUSE INVESTIGATION ON CUT FLOWERS.

4. WE SUGGEST YOU MAKE FOLLOWING POINTS IN DISCUSSION WITH GOC OFFICIALS:

- WE ARE PROVIDING ADVANCE NOTICE ON INVESTIGATION BECAUSE WE UNDERSTAND COLOMBIAN SENSITIVITY ON THIS QUESTION.

- PRESENT INVESTIGATION IS TO DETERMINE FACTS; IT DOES NOT ASSUME THAT COUNTERVAILING DUTIES WILL NECESSARILY BE APPLIED--ALTHOUGH WE WOULD NOTE THAT CAT SYSTEM APPEARS TO BE ESSENTIALLY THE SAME AS IN THE PREVIOUS CUT FLOWER CASE.

- WE WILL BE CONSULTING FULLY WITH GOC IN OUR

FACT-FINDING EFFORT AND GIVE THEM EVERY OPPORTUNITY TO PRESENT THEIR VIEWS. TREASURY WILL SOON PROVIDE COLOMBIAN EMBASSY WITH QUESTIONNAIRE ON THE EXPORT REBATE SYSTEM.

- IF WE DO FIND THAT THE COLOMBIAN SYSTEM IS SUBJECT TO COUNTERVAILING DUTIES WE WILL BE PREPARED TO DISCUSS POSSIBLE STEPS COLOMBIA MIGHT TAKE LEADING TO A TEMPORARY WAIVER PROVIDED FOR IN THE TRADE ACT.

5. FYI. A 1975 COUNTERVAILING DUTY INVESTIGATION OF LEATHER HANDBAGS FROM BRAZIL RESULTED IN AN AFFIRMATIVE DETERMINATION AND THE IMPOSITION OF ADDITIONAL DUTIES OF 14 PERCENT. THE COUNTER-VAILING DUTIES WERE TEMPORARILY WAIVED EFFECTIVE JULY 1, 1976, AFTER CONDITIONS FOR A WAIVER WERE LIMITED OFFICIAL USE

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MET. THESE CONDITIONS, OUTLINED IN THE TRADE ACT OF 1974, ARE 1) THAT THE ADVERSE EFFECT OF THE BOUNTY OR GRANT BE SUBSTANTIALLY REDUCED OR ELIMINATED, 2) THAT NEGOTIATIONS BE ONGOING IN GENEVA CONCERNING THE REDUCTION OF NONTARIFF BARRIERS TO TRADE AND 3) THAT IMPOSITION OF THE COUNTERVAILING DUTIES WOULD JEOPARDIZE THE SUCCESSFUL OUTCOME OF THESE NEGOTIATIONS. THIS WAIVER AUTHORITY WILL EXPIRE, HOWEVER, JANUARY 1, 1979. TREASURY WILL ALSO PUBLISH NOTICE JUNE 3 OF APPLICATION OF COUNTER-VAILING DUTIES ON SOME HANDBAGS FROM KOREA AND THE REPUBLIC OF CHINA. ACTUAL PROVISIONS IN THESE CASES ARE QUITE COMPLICATED. END FYI.

6. MONTEVIDEO - THE ALLEGATIONS ON URUGUAYAN HANDBAGS ARE ESSENTIALLY THE SAME AS THOSE IN THE LEATHER APPAREL PETITION OF WHICH EMBASSY HAS A COPY. RICHARD SELF OF TREASURY WILL BE PREPARED TO DISCUSS HANDBAGS DURING JUNE 8 VISIT CONCERNING LEATHER WEARING APPAREL CASE. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COUNTERVAILING DUTIES, INVESTIGATIONS
Control Number: n/a
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Sent Date: 02-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
Errors: N/A
Expiration:
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2298809
Secure: OPEN
Status: NATIVE
Subject: COUNTERVAILING DUTY INVESTIGATIONS--LEATHER HANDBAGS FROM COLOMBIA AND URUGUAY
TAGS: ETRD, UY, CO, EC, US
To: MONTEVIDEO BOGOTA MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/caf24086-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
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